



REDACTED – FOR PUBLIC INSPECTION

**VIA ECFS**

June 28, 2017

Marlene H. Dortch, Secretary  
Federal Communications Commission  
Office of the Secretary  
445 12th Street, SW  
Room TW-A325  
Washington, DC 20554

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**RE:     Scott County Telephone Company, LLC, SAC 403031  
         Submission of FCC Form 481 Annual Report  
         WC Docket No. 14-58 – ETC Annual Reports and Certifications**

Dear Ms. Dortch:

In accordance with the annual reporting requirements of 47 C.F.R. §§54.313 and 54.422, Scott County Telephone Company, LLC (“the Company”), Study Area Code 403031, hereby files its FCC Form 481 – Carrier Annual Reporting Data Collection Form. *The version of the Company’s FCC Form 481 submitted via the FCC’s Electronic Comment Filing System (ECFS) is a redacted version of the filing that contains no confidential information.*

Section 3005 of FCC Form 481 requires privately-held rate-of-return carriers receiving high cost support to attach a full and complete annual report of the company’s financial condition and operations pursuant to 47 C.F.R. §54.313(f)(2). Scott County Telephone Company, LLC, by its authorized representative, hereby seeks confidential treatment of its financial annual report pursuant to the March 22, 2016 *Protective Order* in WC Docket Nos. 10-90 and 14-58.<sup>1</sup> The *Protective Order* specifically covers the information required by 47 C.F.R. §54.313(f)(2).

Scott County Telephone Company, LLC is providing to the Office of the Secretary, under seal, this cover letter and the FCC Form 481 filing which includes the

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T (972) 387-4300  
F (972) 960-2810

8750 N. Central Expressway  
Suite 300  
Dallas, TX 75231

Assurance, tax, and consulting offered through  
Moss Adams LLP. Wealth management offered through  
Moss Adams Wealth Advisors LLC. Investment banking  
offered through Moss Adams Capital LLC.

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<sup>1</sup> *Connect America Fund, ETC Annual Reports and Certifications*, WC Docket Nos. 10-90 and 14-58, Protective Order, 31 FCC Rcd 2089 (2016).

confidential information that is being requested to be withheld from public inspection.

Each page of the Company's financial annual report and the financial summary page on the FCC Form 481 bear the legend, "CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER BEFORE THE FEDERAL COMMUNICATIONS COMMISSION."

The confidential information has also been submitted to the Universal Service Administrative Company through its E-File system as attachments to the FCC Form 481.

In the filing submitted via the ECFS, all pages containing confidential information bear the legend "REDACTED – FOR PUBLIC INSPECTION."

This cover letter includes no confidential information and the text is the same in both the non-redacted and redacted versions except for the confidentiality markings.

The FCC Form 481 has also been filed with the relevant state commissions and Tribal governments, as appropriate.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Stuart Polikoff". The signature is fluid and cursive, with the first name "Stuart" and last name "Polikoff" clearly distinguishable.

Stuart Polikoff  
Authorized Representative for  
Scott County Telephone Company, LLC

SP/ag

cc: Karen Gilliam, Scott County Telephone Company, LLC

**FCC Form 481 - Carrier Annual Reporting  
Data Collection Form**FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010>	Study Area Code	403031
<015>	Study Area Name	SCOTT COUNTY TEL CO
<020>	Program Year	2018
<030>	Contact Name: Person USAC should contact with questions about this data	Karen Gilliam
<035>	Contact Telephone Number: Number of the person identified in data line <030>	4174399778 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	karen@scotttel.com
	Form Type	54.313 and 54.422

<010>	Study Area Code	403031
<015>	Study Area Name	SCOTT COUNTY TEL CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Karen Gilliam
<035>	Contact Telephone Number - Number of person identified in data line <030>	4174399778 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	karen@scotttel.com

<210> For the prior calendar year, were there any reportable voice service outages? No

Page 2

**(300) Unfulfilled Service Request  
Data Collection Form**FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

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&lt;300&gt; Unfulfilled service request (voice)

0

&lt;310&gt; Detail on attempts (voice)

Name of Attached Document

&lt;320&gt; Unfulfilled service request (broadband)

0

&lt;330&gt; Detail on attempts (broadband)

Name of Attached Document

<010>	Study Area Code	403031
<015>	Study Area Name	SCOTT COUNTY TEL CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Karen Gilliam
<035>	Contact Telephone Number - Number of person identified in data line <030>	4174399778 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	karen@scotttel.com
<400>	Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	
<410>	Complaints per 1000 customers for fixed voice	Offered only fixed voice 0 . 0
<420>	Complaints per 1000 customers for mobile voice	
<430>	Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	
<440>	Complaints per 1000 customers for fixed broadband	
<450>	Complaints per 1000 customers for mobile broadband	

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<039>	Contact Email Address - Email Address of person identified in data line <030>	karen@scotttel.com
<500>	Certify compliance with applicable service quality standards and consumer protection rules	Yes
403031ar510.pdf		
<510>	Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance	
<515>	Certify compliance with applicable minimum service standards	

<b>(600) Functionality in Emergency Situations</b>		FCC Form 481
<b>Data Collection Form</b>		OMB Control No. 3060-0986/OMB Control No. 3060-0819
		July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	karen@scotttel.com
<600>	Certify compliance regarding ability to function in emergency situations	Yes
<610>	Descriptive document for Functionality in Emergency Situations	403031ar610.pdf

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

OMB Control No. 3060-0986/OMB Control No. 3060-0819

OMB Control No. 3060-0986/OMB Control No. 3060-0819

<039> Contact Email Address - Email Address of person identified in data line <030> karen@scotttel.com

30.0

-- See attached worksheet

<010>	Study Area Code	403031
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[illegible]

**(800) Operating Companies  
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	karen@scotttel.com
<810>	Reporting Carrier	Scott County Telephone Company, LLC
<811>	Holding Company	Cypress Break
<812>	Operating Company	Scott County Telephone Company, LLC

[illegible]

**(900) Tribal Lands Reporting  
Data Collection Form**

 FCC Form 481  
 OMB Control No. 3060-0986/OMB Control No. 3060-0819  
 July 2013

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&lt;900&gt; Does the filing entity offer tribal land services? (Y/N) No

&lt;910&gt; Tribal Land(s) on which ETC Serves

&lt;920&gt; Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select Yes or No or Not Applicable

**(1000) Voice and Broadband Service Rate Comparability  
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	karen@scotttel.com

<1000> Voice services rate comparability certification Yes

<1010> Attach detailed description for voice services rate comparability compliance 403031ar1010.pdf

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Name of Attached Document

<1020> Broadband comparability certification Not Applicable

<1030> Attach detailed description for broadband comparability compliance

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Name of Attached Document

**(1100) No Terrestrial Backhaul Reporting  
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	karen@scotttel.com

&lt;1100&gt; Certify whether terrestrial backhaul options exist (Y/N)

Yes

&lt;1130&gt; Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

**(1200) Terms and Condition for Lifeline Customers**  
**Lifeline**  
**Data Collection Form**

FCC Form 481  
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 July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	karen@scotttel.com

403031ar1210.pdf

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

Name of Attached Document

<1220> Link to Public Website

HTTP

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- |        |   |                                     |
|--------|---|-------------------------------------|
| <1221> | Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, | <input checked="" type="checkbox"/> |
| <1222> | Details on the number of minutes provided as part of the plan,  | <input checked="" type="checkbox"/> |
| <1223> | Additional charges for toll calls, and rates for each such plan.  | <input checked="" type="checkbox"/> |

**(2005) Price Cap Carrier Additional Documentation**

FCC Form 481

**Data Collection Form**

OMB Control No. 3060-0986/OMB Control No. 3060-0819

*Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers*

July 2013

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Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

**Incremental Connect America Phase I reporting**

- <2011> 3rd Year Certification 47 CFR §54.313(b)(1)(ii) - Note that for the July 2017 certification, this applies to Round 2 recipients of Incremental Support.
- <2022> Recipient certifies, representing year three after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only.
- <2023> The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year three - 54.313(b)(2)(ii). Round 2 recipients only.
- <2024A> Round 2 Recipient of Incremental Support?
- <2024B> Attach list of census blocks indicating where funding was spent in year three - 54.313(b)(2)(ii). Round 2 recipients only.
- <2025A> Round 2 Recipient of Incremental Support?
- <2025B> Attach geocoded Information for Phase I milestone reports (Round 2 for year three) - Connect America Fund , WC Docket 10-90, Report and Order, FCC 13-73, paragraph 35 (May 22, 2013).
- <2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)

Name of Attached Document Listing  
Required Information

Name of Attached Document Listing  
Required Information

**(2005) Price Cap Carrier Additional Documentation**

FCC Form 481

**Data Collection Form**

OMB Control No. 3060-0986/OMB Control No. 3060-0819

*Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers*

July 2013

**Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}**

&lt;2016&gt; Certification support used to build broadband

**Connect America Phase II Reporting {47 CFR § 54.313(e)}**

&lt;2017A&gt; Connect America Fund Phase II recipient?

&lt;2017C&gt; Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2016.

&lt;2018&gt; Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(ii)(A)

Name of Attached Document Listing  
Required Information

&lt;2019&gt; Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(ii)(C)

**(3005) Rate Of Return Carrier Additional Documentation**  
**Data Collection Form**

 FCC Form 481  
 OMB Control No. 3060-0986/OMB Control No. 3060-0819  
 July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	karen@scotttel.com

Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must ensure compliance with the financial reporting requirements set forth in 47 CFR 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3009)	Progress Report on 5 Year Plan Carrier certifies to 54.313(f)(1)(iii)		
(3010A)	Certification of Public Interest Obligations {47 CFR § 54.313(f)(1)(i)}	No - Attach Explanation	
(3010B)	Please Provide Attachment	Name of Attached Document Listing Required Information	403031ar3010.pdf
(3012A)	Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)}	No - No New Community Anchors	
(3012B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3013)	Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
(3014)	If yes, does your company file the RUS annual report	(Yes/No)	<input type="radio"/> <input checked="" type="radio"/>
(3015)	Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires: Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		<input type="checkbox"/>
(3016)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	
(3018)	If the response is no on line 3014, is your company audited?	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
(3019)	If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains: Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input checked="" type="checkbox"/>
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows		<input checked="" type="checkbox"/>
(3021)	Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit.		<input checked="" type="checkbox"/>
(3022)	If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains: Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input type="checkbox"/>
(3023)	Underlying information subjected to a review by an independent certified public accountant		<input type="checkbox"/>
(3024)	Underlying information subjected to an officer certification.		<input type="checkbox"/>
(3025)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	403031ar3026.pdf

**(3005) Rate Of Return Carrier Additional Documentation (Continued)**

FCC Form 481

**Data Collection Form**

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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**Financial Data Summary**

(3027) Revenue

(3028) Operating Expenses

(3029) Net Income

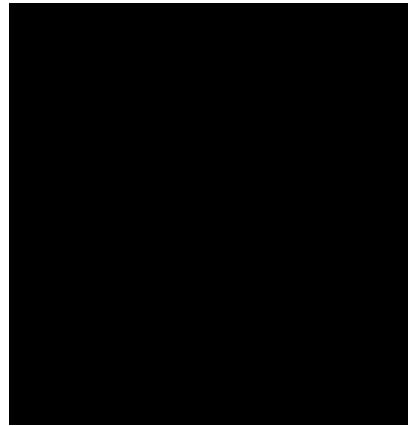
(3030) Telephone Plant In Service(TPIS)

(3031) Total Assets

(3032) Total Debt

(3033) Total Equity

(3034) Dividends



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4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission’s public interest obligations. All RBE participants must provide a response to Line 4001.

**4001.** Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

Community Anchor Institutions – FCC 14-98 (paragraph 79)

**4003a.** RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year.

Name of Attached Document Listing Required Information

Broadband Deployment Locations – FCC 14-98 (paragraph 80)

**4004a.** Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481.

Name of Attached Document Listing Required Information

**4004b.** Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area.

Name of Attached Document Listing Required Information

**Certification - Reporting Carrier  
Data Collection Form**

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 July 2013

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**TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:**

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

<b>Certification - Agent / Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	403031
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**TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:**

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) <u>Moss Adams, LLP</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	<u>Moss Adams, LLP</u>
Name of Reporting Carrier:	<u>SCOTT COUNTY TEL CO</u>
Signature of Authorized Officer:	<u>CERTIFIED ONLINE</u> Date: <u>06/28/2017</u>
Printed name of Authorized Officer:	<u>Karen Gilliam</u>
Title or position of Authorized Officer:	<u>General Manager</u>
Telephone number of Authorized Officer:	<u>4799234200 ext.</u>
Study Area Code of Reporting Carrier:	<u>403031</u> Filing Due Date for this form: <u>07/03/2017</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**TO BE COMPLETED BY THE AUTHORIZED AGENT:**

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	<u>SCOTT COUNTY TEL CO</u>
Name of Authorized Agent Firm:	<u>Moss Adams, LLP</u>
Signature of Authorized Agent or Employee of Agent:	<u>CERTIFIED ONLINE</u> Date: <u>06/28/2017</u>
Name of Authorized Agent Employee:	<u>Anthony Givens</u>
Title or position of Authorized Agent or Employee of Agent	<u>Staff Consultant</u>
Telephone number of Authorized Agent or Employee of Agent:	<u>5097770231 ext.</u>
Study Area Code of Reporting Carrier:	<u>403031</u> Filing Due Date for this form: <u>07/03/2017</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

## Attachments

<b>(700) Price Offerings including Voice Rate Data</b> <b>Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
---	--

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<701>	Residential Local Service Charge Effective Date	1/1/2017
<702>	Single State-wide Residential Local Service Charge	30.0

[illegible]

<b>(710) Broadband Price Offerings</b> <b>Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
---	--

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<015>	Study Area Name	SCOTT COUNTY TEL CO
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<015>	Study Area Name	SCOTT COUNTY TEL CO
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<020>	Program Year	2018
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<030>	Contact Name - Person USAC should contact regarding this data	Karen Gilliam
-------	---	---------------

<035>	Contact Telephone Number - Number of person identified in data line <030>	4174399778 ext.
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<039>	Contact Email Address - Email Address of person identified in data line <030>	karen@scotttel.com
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<711>	<a1>	<a2>	<b1>	<b2>	<c>	<d1>	<d2>	<d3>	<d4>
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[illegible]

## **LINE 510 - SERVICE QUALITY STANDARDS AND CONSUMER PROTECTION RULES COMPLIANCE**

Scott County Telephone Company (“the Company”) complies with applicable service quality standards and consumer protection rules for its voice and broadband services.

The rates, terms, and conditions under which the Company operates are outlined in its local exchange services tariff, which is approved by the Arkansas Public Service Commission (“Arkansas PSC”). The tariff contains provisions regarding the Company’s customer service and protection practices.

Service quality standards for voice service are established by the Arkansas PSC. The Company consistently meets or exceeds those standards and provides reports to the Arkansas PSC, in accordance with the Arkansas PSC’s rules.

With regard to broadband service, the Company provisions its network and equipment to ensure that its customers can enjoy the speeds to which they subscribe. However, Internet speeds generally result from a “best effort” service and are dependent upon a number of variables, many of which are outside the control of the Company. The Company also complies with the FCC’s Open Internet rules, 47 C.F.R. §§8.3-8.11. These rules prohibit blocking, throttling, and paid prioritization, and also require the Company to publicly disclose information regarding its network management practices, performance, and the commercial terms of its broadband services.

The Company complies with any and all consumer protection obligations under state law.

The Company also complies with the following consumer best practices: (1) the Company discloses its rates and terms of service to customers; (2) the Company provides specific disclosures in its advertising; (3) the Company separately identifies carrier charges from taxes on its billing statements; (4) the Company provides ready access to customer service; (5) the Company promptly responds to consumer inquiries and complaints received from government agencies; and (6) the Company abides by policies for protection of consumer privacy.

In particular, the Company has a policy and established operating procedures that comply with the FCC’s Customer Proprietary Network Information (CPNI) rules (47 C.F.R. §§64.2001-64.2011).

## **LINE 610 - FUNCTIONALITY IN EMERGENCY SITUATIONS**

Scott County Telephone Company (“the Company”) is able to function in emergency situations. The Company has a reasonable amount of back-up power to ensure functionality without an external power source. Standby power generators are supplied at the central office, remote switch sites, and repeater sites to ensure functionality without an external power source until power is restored. The network is capable of managing traffic spikes resulting from emergency situations.

The Company is able to reroute traffic around damaged facilities. Although the Company’s ability to reroute traffic around damaged facilities is not absolute and may be limited in certain circumstances, there is a restoration plan in place for expeditious recovery of service, including splicing of damaged facilities when warranted.

## **LINE 1010 – VOICE SERVICES RATE COMPARABILITY**

The Wireline Competition Bureau’s 2017 reasonable comparability benchmark for voice services is \$49.51, which includes the federal subscriber line charge (“SLC”).<sup>1</sup>

In all of the exchanges served by Scott County Telephone Company (“the Company”), the single line residential local rate in effect as of January 1, 2017 was \$30.00. When the federal SLC (\$6.50) is included, the rate was \$36.50. Therefore, the Company’s pricing of fixed voice services is less than the reasonable comparability benchmark of \$49.51.

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<sup>1</sup> *Wireline Competition Bureau Announces Results of 2017 Urban Rate Survey for Fixed Voice and Broadband Services, Posting of Survey Data and Explanatory Notes, and Required Minimum Usage Allowance for ETCs Subject to Broadband Public Interest Obligations*, Public Notice, WC Docket No. 10-90, 32 FCC Rcd 1358 (2017).

## **LINE 1210 – TERMS & CONDITIONS OF VOICE TELEPHONY LIFELINE PLANS**

Residential customers of Scott County Telephone Company (“the Company”) who qualify for the Lifeline Program receive a federal discount of \$9.25 on local voice telephony service.

Throughout the Company’s study area, the Lifeline single-line residential rate for all customers, including the federal subscriber line charge (“SLC”), is \$27.25 (\$36.50 standard rate - \$9.25 discount).

All single-line residential customers, including Lifeline customers, have an unlimited number of minutes for calls made within their local calling area.

Toll charges for calls outside of the local calling area are determined by the long distance carrier of the customer’s choosing. Customers may also elect to subscribe to toll blocking at no charge.

Lifeline Program reductions do not apply to additional services such as custom calling features. Lifeline customers may subscribe to these services, where available, at the same rates offered to other customers.

**LINE 3010 – CERTIFICATION OF PUBLIC INTEREST OBLIGATIONS  
EXPLANATION OF NON-COMPLIANCE**

Scott County Telephone Company is unable to certify that it provides broadband service that meets the FCC's public interest obligations in §54.308(a) of the rules.

Scott County has approximately 100 residential subscribers in its single exchange of Lake Hinkle, a community that is located on a mountain in Arkansas. The combination of the company's remote location and its very small subscriber base make the provision of broadband service cost prohibitive on a per-subscriber basis. Thus, the cost for Scott County to undertake the necessary upgrades to its central network and the residential locations in its service area would far exceed the revenues that could be expected from the upgraded line. In addition, Scott County received a limited amount of federal high-cost USF support in 2016 – only \$83,051 (not including CAF ICC) – which is needed to help maintain the company's existing network.

Therefore, in 2016, it would not have been reasonable for Scott County to make the necessary network upgrades to provide 10/1 Mbps, or even 4/1 Mbps, service in light of the anticipated end-user revenues from the retail provision of broadband service. This takes into account the FCC's reasonable comparability rate benchmark for broadband services as well as other sources of revenues, such as the universal service funding available under the rules at that time.

**SCOTT COUNTY TELEPHONE COMPANY, L.L.C.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**

**with**

**INDEPENDENT AUDITOR'S OPINION**



**Scott County Telephone Company, L.L.C.**  
**Financial Statements**  
**Years Ended December 31, 2016 and 2015**

**CONTENTS**

Independent Auditor’s Report..... 3-4

Independent Auditor’s Report on Internal Controls over Financial Reporting and Compliance  
with Laws and Regulations based on an audit performed in accordance with Government  
Auditing Standards..... 5-6

Audited Financial Statements

    Balance Sheets ..... 7-8

    Statements of Income and Members' Equity .....9

    Statements of Cash Flows.....10

    Notes to Financial Statements.....11



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members  
 Scott County Telephone Company, L.L.C.  
 Lake Hinkle, Arkansas

### Report on the Financial Statements

We have audited the accompanying financial statements of Scott County Telephone Company, LLC which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of income and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Scott County Telephone Company, LLC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hood & Associates, CPAs, P.C.*

Hood & Associates, CPAs, P.C.  
Certified Public Accountants  
February 22, 2016



**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Scott County Telephone Company, LLC, which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 27, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Scott County Telephone Company, LLC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Scott County Telephone Company, LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of Scott County Telephone Company, LLC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

HOOD & ASSOCIATES CPAs, P.C.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Scott County Telephone Company, LLC as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Hood & Associates, CPAs, P.C.*

Hood & Associates, CPAs, P.C.  
Certified Public Accountants

Tulsa, Oklahoma  
February 27, 2017

**Scott County Telephone Company, LLC**  
**Balance Sheets**  
**December 31, 2016 and 2015**

**ASSETS**

	<u>2016</u>	<u>2015</u>
<b>Current Assets:</b>		
Cash - General Fund		
Accounts Receivable - Telephone Subsidiaries		
(less allowance for doubtful accounts of [REDACTED])		
Other Accounts Receivable (Note 2)		
Prepaid Expenses		
<b>Non-current Assets:</b>		
Note receivable - Affiliate (Note 3)		
Accounts Receivable - Officers		
Other Assets		
<b>Property, Plant and Equipment (Note 4):</b>		
Telecommunications Plant in Service		
Telecommunications Plant Under Construction		
Less Accumulated Depreciation		
<b>TOTAL ASSETS</b>		

The accompanying notes are an integral part of the financial statements.

**Scott County Telephone Company, LLC**  
**Balance Sheets**  
**December 31, 2016 and 2015**

**LIABILITIES AND MEMBERS' EQUITY**

	<u>2016</u>	<u>2015</u>
<b>Current Liabilities:</b>		
Accounts Payable		
Other Accrued Liabilities		
<b>Long Term Liabilities (Note 6):</b>		
Notes Payable - RUS		
Other Long-Term Debt		
Less Current Maturities		
Total Long Term Liabilities		
Total Liabilities		
<b>Members' Equity:</b>		
Members' Equity		
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>		

The accompanying notes are an integral part of the financial statements.

**Scott County Telephone Company, LLC**  
**Statements of Income and Members' Equity**  
**For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Operating Revenues:</b>		
Basic Local Network Service		
Network Access Services		
Long Distance Network Services		
Miscellaneous		
<b>Operating Expenses:</b>		
Plant Specific Operations		
Plant Non-specific Operations		
Depreciation and amortization		
Customer Operations		
Corporate Operations		
<b>Operating Taxes:</b>		
Other Operating Taxes		
<b>Operating Income</b>		
<b>Fixed Charges:</b>		
Interest on Long Term Debt		
Other Interest		
<b>Non-regulated Income (Expense):</b>		
Interest and Dividend Income		
Non-regulated Income (Loss) (Net)		
<b>Net Income</b>		
Members' Equity, beginning of year		
Distributions		
Members' Equity, end of year		

The accompanying notes are an integral part of the financial statements.

**Scott County Telephone Company, LLC**  
**Statement of Cash Flows**  
**For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers		
Interest and Dividends Received		
Cash Paid to Suppliers and Employees		
Interest Paid		
 Net Cash Provided by (Used in) Operating Activities		
<b>Cash Flows from Investing Activities</b>		
Purchases of fixed assets		
 Net Cash Provided by (Used in) Investing Activities		
<b>Cash Flows from Financing Activities</b>		
Principal Payments on Long-term Debt		
 Net Cash Provided by (Used In) Financing Activities		
 <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash and Cash Equivalents at Beginning Of Year</b>		
<b>Cash and Cash Equivalents at End Of Year</b>		
 <b>Reconciliation of Net Income to</b>		
<b>Cash Provided By (Used In) Operating Activities</b>		
Net income (loss)		
Adjustments to reconcile net income (loss) to net		
cash provided by (used in) operating activities:		
Depreciation		
(Increase) decrease in accounts receivable		
(Increase) decrease in prepaid assets		
Increase (decrease) in accounts payable		
 Total Adjustments		
 Net Cash Provided by (Used in) Operating Activities		

The accompanying notes are an integral part of the financial statements.

**SCOTT COUNTY TELEPHONE COMPANY, L.L.C.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2014 AND 2015**

Scott County Telephone Company, LLC

Notes to the Financial Statements

December 31, 2016 and 2015

**Note 1 - Summary of Significant Accounting Policies**

*Organization and Nature of Business:*

Scott County Telephone Company, L.L.C. (formerly Scott County Telephone Company) ("Company") was organized under the General Corporation Laws of the State of Arkansas on December 7, 1989. The Company operated as a "C" corporation for income tax purposes from its inception through June 30, 2005. Effective July 1, 2005, the Company converted to a limited liability company ("L.L.C.") for income tax purposes.

The Company is an operating telephone utility serving customers in Lake Hinkle, Blackfork and Nella, Arkansas and the surrounding area. It is a utility regulated by the Arkansas Public Service Commission.

*General:*

The Company maintains its records in accordance with the Uniform System of Accounts prescribed for telephone companies by the Federal Communications Commission (FCC). The financial statements reflect the application of the accounting policies described in this note and have been prepared in conformity with generally accepted accounting principles applicable to rate regulated utilities.

*Use of Estimates to Prepare Financial Statements:*

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used in preparing the financial statements.

*Cash Equivalents:*

For purposes of the Statement of Cash Flows, this caption includes cash on hand and in banks and certain short-term deposits. The Company considers all highly liquid debt instruments purchased with a maturity of three months or less from the date of purchase to be cash equivalents.

Scott County Telephone Company, LLC  
Notes to the Financial Statements  
December 31, 2016 and 2015

**Note 1 - Summary of Significant Accounting Policies (continued)**

*Accounts Receivable and Allowance for Doubtful Accounts:*

Accounts receivable are stated at the historical carrying amount net of write-offs and allowance for doubtful accounts. Trade accounts receivable consist of amounts due from subscribers, including local service, toll, taxes and applicable fees. The Company also bills and collects fees for non-regulated services of an affiliated company. Trade accounts receivable are uncollateralized (however, certain customers may be required to have a deposit) and are due on the 15<sup>th</sup> of the month. A late fee of 1.5% is assessed if the receivable has not been paid by the 20<sup>th</sup> of the month.

The Company also has accounts receivable from interexchange long distance carriers for interstate and intrastate charges assessed for using the Company's facilities for their long distance communications, as well as from the National Exchange Carriers Association ("NECA") for outstanding interstate settlements and from the Oklahoma High Cost Fund for intrastate settlements to local exchange carriers in high cost areas based on cost separation principles.

The Company establishes an estimated allowance for doubtful accounts receivable based on a specific account identification basis through a review of several factors, including the aging status of customers' accounts, financial conditions of customers, historical credit loss experience and any specific customer collection issues that the Company has identified. Uncollectible accounts receivable are written off when a settlement is reached for an amount that is less than the outstanding historical balance or when the Company has determined the balance will not be collected.

*Revenue Recognition*

The Company recognizes revenues when earned, regardless of the period in which they are billed. In general, the Company recognizes revenues only after the services have been provided to its local subscribers and long distance carriers.

(a) Local Network Service Revenues:

The Company is required to provide local network service to subscribers within its defined service territory. Local network service revenues are recognized in those periods in which the services are provided to subscribers connected to the network. Local network services are billed monthly on the first day of the applicable month.

Scott County Telephone Company, LLC  
Notes to the Financial Statements  
December 31, 2016 and 2015

**Note 1 – Summary of Significant Accounting Policies (continued)**

*Revenue Recognition: (continued)*

(b) Network Access Service Revenues:

Access service revenue includes interstate customer end user charges, interstate and intrastate charges assessed to long distance carriers for using the Company's facilities for their long distance communications, and interstate settlements under jurisdictional reporting requirements with the National Exchange Carriers Association ("NECA"). The interstate portion of access revenues is based on a cost separation procedure settlement formula administered by NECA, which is regulated by the FCC. The intrastate portion of access revenues is billed using an individual company tariff access charge structure based on expense and plant investment as approved by the state regulatory authority. The tariffs developed from these formulas are used to charge the connecting carrier and recognize revenues in the period the traffic is transported based on the minutes of traffic carried.

Reported network access revenues are estimates subject to settlement adjustments in the near term resulting from changes in expense and plant investment level and rate of return experience. Future settlement adjustments are accrued if sufficient information is available to estimate them at the date of the financial statements; otherwise, such adjustments are recognized in the period in which the final settlements are determined.

(c) Long Distance Network Services:

Long distance revenue consists principally of settlements from other access carriers for revenues which cannot be classified as network access or miscellaneous revenues.

(d) Miscellaneous Revenue:

Miscellaneous revenue consists primarily of fees received from long distance carriers for billing and collection services performed by the Company and directory revenue.

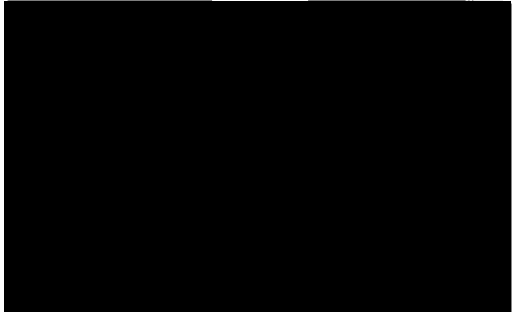
Scott County Telephone Company, LLC  
Notes to the Financial Statements  
December 31, 2016 and 2015

**Note 1 – Summary of Significant Accounting Policies (continued)**

*Property, Plant and Equipment:*

Telecommunications plant in service and under construction is recorded at historical cost to purchase and/or cost to construct, less accumulated depreciation. Historical cost to construct consists of actual purchase costs of materials used in construction, direct labor costs and related indirect costs, consisting of payroll taxes, overhead and vehicle costs allocated to construction. Major renewals and betterments are capitalized, while maintenance and repairs are expensed when incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets using the annual rates prescribed by the Arkansas Public Service Commission.

Following is a summary of the estimated useful lives and annual depreciation rates for the major asset classifications:

Classification	Estimated Useful Life	Annual Depreciation Rate
Buildings		
Vehicles		
Other work equipment		
Digital electronic switching equipment, central office equipment & software		
Circuit equipment		
Buried cable		

The cost of property, plant and equipment sold, retired or otherwise disposed of is charged against the accumulated depreciation account for the particular class of assets. Salvage credits resulting from reusable materials, sales or trade-in allowances are credited to the related accumulated depreciation accounts.

*Advertising*

All advertising and promotional costs are expensed in the period in which such charges are incurred.

*Date of Management's Review:*

Subsequent events have been evaluated through February 27, 2017, the date the financial statements were available to be issued.

Scott County Telephone Company, LLC  
Notes to the Financial Statements  
December 31, 2016 and 2015

**Note 1 – Summary of Significant Accounting Policies (continued)**


*Income Taxes:*

Effective July 1, 2005, the Company, with the consent of its stockholders, elected to convert to a limited liability company. Earnings and losses after that date have been included in the personal income tax returns of the members and taxed depending on their personal tax strategies. Accordingly, the accompanying financial statements do not include a provision or liability for federal and state income taxes.

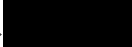
The Company is a single-member LLC and is considered a disregarded entity for income tax purposes. The Company does not file its own federal or state income tax returns. However, the Company's income or loss is flowed through to the member's income tax return.

**Note 2 - Other Accounts Receivable**

Following is a summary of other accounts receivable at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
National Exchange Carriers Association		
Arkansas State Toll Pools		
Arkansas Universal Services Fund		
Inter-exchange carriers/other		

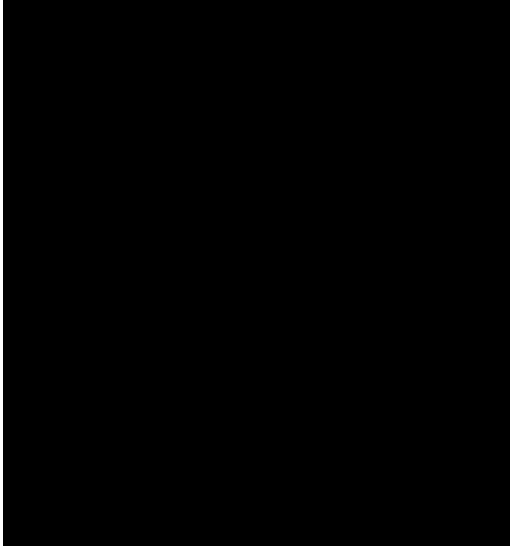
**Note 3 – Note Receivable from Affiliate**

The balance in this caption consists of a  non-interest bearing advance to Cyprus Break, L.L.C., an entity owned by the Company's President and majority member, made in November 2004. The loan is unsecured and has an indefinite maturity date and, accordingly, is classified as a noncurrent asset in the accompanying balance sheets.

Scott County Telephone Company, LLC  
Notes to the Financial Statements  
December 31, 2016 and 2015

**Note 4 - Property, Plant and Equipment**

Listed below are the major classes of telecommunications plant at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land		
Vehicles		
Other Work Equipment		
Buildings		
Furniture		
Office Support/Company Communication		
Digital Central Office Equipment		
Portable generators		
Circuit Equipment Carrier		
Buried Cable		
Plant Under Construction		

Depreciation of telecommunications plant in service amounted to [REDACTED] and [REDACTED] for the years ended December 31, 2016 and 2015, respectively. The provision for depreciation as a percentage of the average balance of telecommunications plant in service was [REDACTED] and [REDACTED] for 2016 and 2015, respectively.

Scott County Telephone Company, LLC  
Notes to the Financial Statements  
December 31, 2016 and 2015

**Note 5 - Related Party Transactions**

The Company paid its two members and principal officers management fees on a monthly basis. Such management fees expense amounted to [REDACTED] and [REDACTED] for the years ended December 31, 2016 and 2015, respectively.

In November 2004, the Company advanced Cyprus Break, L.L.C., an affiliated Company, [REDACTED] under a non-interest bearing loan (*See Note 4*).

**Note 6 - Financial Instruments**

The Company is required by FASB Accounting Standards Codification ("ASC") 825, *Financial Instruments* to disclose information about financial instruments with off-balance sheet risk and about concentrations of credit risk for all financial instruments, regardless of the degree of such risk.

At December 31, 2016, the Company had no financial instruments with off-balance sheet risk.

Financial instruments which potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents deposited with financial institutions and certificates of deposit with terms of four months maintained at certain financial institutions.

The Company places its cash, temporary cash investments and certificates of deposit with high quality credit institutions. At times, cash in bank deposit accounts may exceed federally insured limits. The Company has not experienced any losses in such accounts, and the Company believes that it is not exposed to any significant credit risk on cash, cash equivalents and other cash investments.

There were no significant concentrations of credit risk at December 31, 2016 and 2015.

**Note 7 - Other**

There were no contingent liabilities or significant purchase commitments in existence at December 31, 2016.